GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:36
ANSWERED ON:25.02.2000
MOTOR VEHICLE INSURANCE BUSINESS
C.K. JAFFER SHARIEF

Will the Minister of FINANCE be pleased to state:

(a) whether the Motor Vehicle Insurance business in the public sector is incurring heavy losses;

(b) if so, the reasons therefor; and

(c) the steps taken or proposed to be taken to make the business profitable?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI V. DHANANJAYA KUMAR)

(a) & (c): A statement is laid on the Table of the House.

Statement referred to in reply to Lok Sabha Starred Question No.36 for Friday, the 25th February, 2000 by Shri C.K. Jaffar Sharif regarding Motor Vehicle Insurance Business.

(a) The motor portfolio of insurance is incurring underwriting losses.

(b) Following are the main reasons for the losses:

i. Unlimited liability provision in the Motor Vehicles Act for Motor Third Party Claims;

ii. Provision in Motor Vehicles Act which has increased the ``No Fault Liability``;

iii. Increasing trends in the awards of compensation by Motor Accident Claims Tribunal (MACT);

iv. Increase in number of road accidents giving rise to increase in Third Party (TP) death/injury claims;

v. Substantial rise in repairs cost of motor vehicles without commensurate increase in premium; and

vi. Inadequate increase in premium rates for Own Damage and Third Party covers.

(c) Following steps have been taken by the general insurance industry to make the business profitable :

i. Approached the Tariff Advisory Committee (TAC) to increase the motor premium rates,

ii. Introduction of in-house survey for claims less than Rs.20,000/-,

iii. Quick settlement of Third Party claims through Lok Adalats,

iv. Initiation of loss minimisation measures by the general insurance industry.